



PG – 579

III Semester M.Com. Degree Examination, January 2017
(CBCS)
COMMERCE

Paper – 3.5 AT : Direct Taxes and Planning

Time : 3 Hours

Max. Marks : 70

SECTION – A

1. Answer **any 7** sub-questions out of **ten** questions. **Each** sub-question carries **2** marks : **(7×2=14)**
- What is the time frame for advance payment of tax for company assessee ?
 - What is MAT u/s 115 JB ? What's the reason for its introduction ?
 - State the specific managerial decisions relating to 'retain' or 'replace'.
 - State the tax provisions of section 35 ABB.
 - What is Best judgement assessment ? When it is applied ?
 - Distinguish between 'Tax avoidance' and 'Tax Evasion'.
 - What is Tax planning ? State types of tax planning.
 - What is tax credit ? State its tax provision.
 - Mention any 4 double taxation treaties which are entered by India.
 - What are the exceptions to the general rule of previous year ?

SECTION – B

Answer **any 4** questions of the following in about **one** page. **Each** question carries **5** marks : **(4×5=20)**

2. Explain the scope of Tax Planning with respect to :
- Joint ventures
 - Factors affecting make or buy decisions.

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3. G. R. Hari Limited has given the following information of its incomes and expenses for the financial year 2015-16 :

- ✓ Taxable income from business is Rs. 4,50,000
- ✓ Gain on sale of assets held for more than 36 months is Rs. 1,50,000
- ✓ Gain on sale of securities through recognized stock exchanges is Rs. 85,000
- ✓ Taxable income from house property is Rs. 35,000
- ✓ Interest received on fixed deposits is Rs. 25,000
- ✓ The company incurred the following expenses (donations given).

Sl. No.	Donation given to institutions	Amount of donation given in Rs.
01	Prime Minister's National Relief fund	30,000
02	Indian Olympic Association	18,000
03	An institution engaged in promotion of family planning	10,000
04	Prime Minister's Drought Relief fund	30,000
05	A notified temple (Rs. 15,000 given in cash)	29,000
06	Indira Gandhi Memorial Trust	25,000
07	An institution which is recognized u/s 80 G	9,000
08	National Defense Fund set up by the Central Government	28,000
09	National Foundation for Communal Harmony	16,000
10	Swach Bharath Kosh	23,000
11	Clean ganga project	29,000
12	Furniture's given to a Church	45,000

The company is eligible for deduction u/s 80 IB. The assessee had paid Rs. 30,000 to Indian national congress party as donation on 15th June, 2016.

Compute allowable amount of deduction u/s 80 G for the Assessment Year 2016-17.

4. Discuss the tax provisions under section 80 IC.



5. 'Bhimashankara' Ltd., is engaged in the business of manufacture of telephone dial pad since 2008. During the previous year 2015-16, the following assets are acquired and put to use :

Particulars	Block – I	Block – II	Block – III
Rate of depreciation	15%	20%	40%
Depreciable value of the block			
on April 1, 2015	8,00,000	25,00,000	5,00,000
Additions of Plant (new) during the previous year 2015-16			
Plant P	14,50,000	–	–
Plant Q	–	1,70,000	–
Plant R	–	–	6,25,000
Sale of old plants	45,000	7,35,000	12,00,000

Plant P, Q and R are acquired during May, 2014 and put to use during 15th August, 2015. However, Plant Q is put to use in February, 2016.

Find out the allowable amount of Depreciation, Additional Depreciation and Capital gains if any for the Assessment Year 2016-17.

6. Suprabhath Company Limited has given the following information for the financial 2015-16. The company has filed its income on 10-11-2016. The total income of the company is Rs. 9,37,500. The has is having balance of Rs. 23,000 as tax deducted at source, it also has relief u/s 91 of Income Tax Act, 1961 amounting to Rs. 8,000. It has Rs. 45,000 balance as tax credit. It has paid advance tax as follows :

Due date	Amount of advance tax paid in Rs.
15-06-2014	35,000
13-09-2014	75,000
12-12-2014	45,000
15-03-2015	60,000

Compute Interest u/s 234 A, 234 B and 234 C for the Assessment Year 2016-17.

7. What is assessment ? Briefly explain the types of assessment.



SECTION - C

Answer **any 3** questions of the following. **Each** question carries **12** marks : (3×12=36)

8. The following particulars are furnished by Panasonic Company Limited :

Trading and Profit and Loss Account for the year ending 31-03-2016

Particulars	Amount (in Rs.)	Particulars	Amount (in Rs.)
To Purchases	8,25,000	By Sale of goods and	
To Entertainment expenses	75,000	services provided	42,36,000
To Travelling expenses	1,10,000	By Amount withdrawn from	
To Depreciation	2,50,000	revaluation reserves	6,00,000
To Income tax	1,60,000	By Long term capital gain	2,20,000
To Wealth tax	55,000	By Transfer fees	12,000
To Dividend distribution tax	2,54,000	By Bad debts recovered	10,000
To O/s Value added tax	60,000	allowed earlier	
To Provision for unascertained liability	80,000		
To Proposed dividend	50,000		
To Auditor's fees	1,20,000		
To Provision for loss of subsidiary company	95,000		
To Salaries and Wages	19,00,000		
To Sundry expenses	2,50,000		
To Net profit	7,94,000		
	50,78,000		50,78,000



Additional Information :

- i) Depreciation under Section 32 is Rs. 1,75,000.
- ii) Customs Duty of 2014-15 paid during the year Rs. 1,25,000 was not included in the account.
- iii) Sundry expenses include an item of Rs. 28,000 paid in bearer cash to a farmer.
- iv) Amount of depreciation on account of revaluation of assets is Rs. 1,00,000.
- v) Out of the O/s amount of value added tax Rs. 25,000 was paid before due date of filing of return of income.
- vi) Unabsorbed loss brought forward Rs. 3,00,000 for income tax purpose and Rs.4,24,000 for accounting purposes.
- vii) Unabsorbed depreciation brought forward is Rs. 2,00,000 for accounting purposes.

Compute :

- a) Total income of the Company.
 - b) Book profit u/s 115 JB.
 - c) Total tax liability and
 - d) Tax credit if any.
9. Discuss the tax holidays and tax benefits available in respect of profits and gains from Industrial undertaking or enterprise engaged in infrastructure development u/s 80-IA.



10. Answer both Part - A and Part - B :

A) From the following information of KoliJan (P) Limited, compute the gross total income for the assessment year 2016-17. Show the carry forward of losses clearly along with reasons :

Sl. No.	Particulars	Amount in Rs.
1	Dividend received on shares in Indian Company	50,000
2	Business loss of Assessment year 2009-10	60,000
3	Business loss of Assessment year 2005-06	1,20,000
4	Long-term Capital gains	50,000
5	Current year Business loss	30,000
6	Unabsorbed depreciation of preceding years	90,000
7	Short-term Capital loss	35,000
8	Current year's depreciation	25,000
9	Dividend received from foreign company	30,000
10	Income from House Property	1,70,000
11	Long term capital loss	20,000

B) Explain the tax provisions under relating to scientific research u/s 35 of Income Tax Act, 1961.

11. State the tax provisions for the following :

- Scope of Tax planning
- Principles of direct taxation
- Types of returns.



12. MAK Motors Company limited needs a component in an assembly operation. It is contemplating the proposal to either make or buy the aforesaid component :

- 1) If the company decides to make the product itself, then it would need to buy a second hand machine for Rs. 4 lakh which would be used for 5 years. Manufacturing costs in each of the five years would be Rs. 6 lakh, Rs. 7 lakh, Rs. 8 lakh, Rs. 10 lakh and Rs. 12.50 lakh respectively. The relevant depreciation rate is 15 percent. The machine will be sold for Rs. 50,000 at the beginning of the sixth year.
- 2) If the company decides to buy the component from a supplier the component would cost Rs. 9 lakh, Rs. 10 lakh, Rs. 11 lakh, Rs. 14 lakh and Rs. 17 lakh respectively for each of the five year. The relevant discounting rate and tax rate 10 percent and tax rate 32.445 percent.

Should MAK Motors Company Limited 'Make' the component or 'Buy' from the market ?



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SECTION – A

1. Answer **any 7** sub-questions of the following. **Each** sub-question carries **2** marks. **(7x2=14)**
- a) What do you mean by colourable devices ?
 - b) State the treatment of expenditure incurred on promotion of family planning among employees.
 - c) Differentiate between 'Tax Planning' and 'Tax Management'.
 - d) State the general principles governing assessment of business income.
 - e) What are appeals under Income Tax Act, 1961 ?
 - f) Define Block of assets u/s 2(11).
 - g) What is MAT u/s 115JB ? What's the reason for its introduction ?
 - h) Define Net Wealth u/s 2(m).
 - i) State the provisions u/s 35D for amortization of preliminary expenditure.
 - j) What is return of income ? Mention the types of return.

SECTION – B

Answer **any 4** of the following. **Each** question carries **5** marks. **(4x5=20)**

- 2. Briefly explain the Exempted assets under Section 5 of the Wealth Tax Act, 1957.
- 3. State the tax provisions for the following :
 - a) Advance Payment of Tax
 - b) Types of assessment
 - c) Due date for filing return of income.
- 4. Enumerate the tax holidays entitled to business undertaking established in north eastern states u/s 80 IE.

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5. The following details are furnished by Ram Pottu Company Limited for the previous year 2014-15. Gross Total Income is Rs. 8,10,000 which includes the following :
- Capital gain on sale of long term capital asset Rs. 1,50,000.
 - Short term capital gain liable for STT u/s 111A is Rs. 75,000.
 - The company is eligible for deduction u/s 80IB at 30% of its income from business Rs. 3,50,000.

Sl. No.	Donation given to the following	Amount in Rs.
01	Zila Saksharta Samiti	15,000
02	Prime Minister's Drought Relief Fund	45,000
03	An institution engaged in promotion of family planning	15,000
04	Indian Olympic Association	25,000
05	An institution which is recognized u/s 80G	10,000
06	Indira Gandhi Memorial Trust	40,000
07	National Foundation for Communal Harmony	25,000
08	National Defense Fund set up by the Central Government	45,000
09	A notified Temple (Rs. 15,000 given in cash)	30,000
10	Prime Minister's National Relief Fund	35,000

Compute allowable amount of deduction u/s 80G for the Assessment Year 2015-16.

6. An industrial undertaking which commences the manufacturing activity w.e.f. 15/06/2014 has acquired the following assets during the previous year 2014-15 :

Assets	Date of Acquisition/ construction	Date when put into use	Cost of acquisition/ construction (in Rs.)
Factory building	14/5/2014	01/9/2014	50,00,000
Residential Building	16/08/2014	07/11/2014	3,70,000
Plant and Machinery			
i) Air pollution control equipment	09/6/2014	01/9/2014	4,00,000
ii) Machinery A	25/8/2014	02/10/2014	16,50,000
iii) Machinery B	29/9/2014	31/10/2014	7,50,000
iv) Machinery C (Second hand)	04/01/2015	13/01/2015	3,00,000
v) Motor car	01/12/2014	01/12/2014	4,50,000
vi) Air conditioner (installed in office)	10/3/2015	15/03/2015	1,00,000

Compute the allowable depreciation u/s 32 for the A.Y. 2015-16 and WDV as on 01/04/2015.



7. From the following information of Mohith Private Limited, compute tax liability and show the utilization of tax credit for the various assessment years assuming tax rates applicable are same as of current assessment year for various assessment years given.

Assessment Years	Total income computed as per normal provisions of Income Tax Act, 1961 Rs.	Book profit calculated as per Section 115JB Rs.
2014-15	25,00,000	40,00,000
2015-16	15,00,000	50,00,000
2016-17	75,00,000	40,00,000
2017-18	1,10,00,000	85,00,000
2018-19	95,00,000	1,15,00,000
2019-20	65,00,000	60,00,000

SECTION - C

Answer any 3 questions of the following. Each question carries 12 marks. (3x12=36)

8. Discuss the tax holidays in respect of profits and gains from certain undertakings involved in infrastructure development undertakings u/s 80 IA.
9. Enumerate the tax provisions regarding set-off and carry forward of losses under the Income Tax Act, 1961.
10. Discuss the valuation rules under Part B of Schedule III relating to Immovable property under Wealth Tax Act, 1957. Illustrate with an example.
11. From the following information determine whether assessee should "purchase the asset or take on lease".
 - a) Cost of asset Rs. 5,00,000
 - b) Rate of depreciation 15%
 - c) Rate of interest 10%
 - d) Repayment of loan by the assessee Rs. 80,000 p.a.
 - e) Rate of tax 30.9%
 - f) Residual value of Rs. 80,000 after 5 years
 - g) Profit of the assessee Rs. 5,00,000 before depreciation, interest and tax or before lease rent and tax.
 - h) Lease rent Rs. 1,20,000 p.a.
 - i) Present value factor @ 10% is :

Year	1	2	3	4	5
P. V. Factor	0.909	0.826	0.751	0.683	0.621



12. The following particulars are furnished by Sunrise Company Limited.
Trading and Profit and Loss Account for the year ending 31/03/2015

Particulars	Amount (in Rs.)	Particulars	Amount (in Rs.)
To Opening stock	3,89,000	By Sales	25,00,000
To Purchases	10,05,000	By Dividend from Domestic Company	10,000
To Advertisement expenses	85,000	By Long term capital gain	2,40,000
To Travelling expenses	60,000	By Bad debts recovered disallowed earlier	15,000
To Capital expenditure on promotion of family planning	25,000	By Amount withdrawn from contingency reserves	2,30,000
To Depreciation	6,25,000	By Closing stock	4,65,000
To Income tax	2,15,000		
To Wealth tax	40,500		
To Entertainment expenses	36,500		
To VAT due	34,000		
To Provision for unascertained liability	30,000		
To Salaries and wages	2,70,000		
To Auditor's fees	30,000		
To Provision for loss of subsidiary company	67,500		
To Proposed dividend	1,75,000		
To Sundry expenses	2,25,000		
To Net profit	1,47,500		
	34,60,000		34,60,000

Additional information :

- i) Opening stock was overvalued by Rs. 28,000 and closing stock was overvalued by Rs. 37,000.
 - ii) Customs duty of 2012-13 paid during the year Rs. 75,000 was not considered in the above account.
 - iii) Sundry expenses include an item of Rs. 42,000 paid in cash.
 - iv) Out of the O/s amount of VAT tax Rs. 25,000 was paid before due date of filing of return of income.
 - v) Brought forward business loss Rs. 4,00,000 for income tax purpose and Rs. 3,50,000 for accounting purposes.
 - vi) Brought forward unabsorbed depreciation is Rs. 2,00,000 for accounting purposes.
 - vii) Depreciation as per Section 32 is Rs. 5,75,000.
- Compute :
- a) Total income
 - b) Book profit u/s 115JB and
 - c) Total tax liability for the A.Y. 2015-16.

Year	Present value factor	P. V. Factor
1	0.909	0.909
2	0.826	0.826
3	0.751	0.751

